

Democrats Let the Clock Run Out on Fannie/Freddie Reform

"The failure of the Democrats to even consider meaningful reforms to fix Fannie Mae and Freddie Mac - the two government sponsored entities at the heart of the financial crisis that are propped up by unlimited taxpayer support - is irresponsible, and a total abdication of congressional responsibility. Committee Republicans have offered plans to shut off the \$150 billion (and growing) taxpayer bailout but the Democrats have ignored our proposals while offering excuse after excuse for their unwillingness to act on the most pressing financial issue." -- Ranking Member Spencer Bachus

After two years of promising to address GSE reform while dragging their feet, Chairman Barney Frank again delivered the taxpayers some spin, citing the truncated congressional calendar as the reason House Democrats have failed to produce a plan for ending the taxpayer bailout of Fannie Mae and Freddie Mac before the House breaks for the election. While Committee Democrats found it necessary to hold hearings on "Inclusive Home Design" and "Perspectives on the Livable Communities Act", they claim they simply didn't have the time to consider proposals to put an end to the largest taxpayer bailout in history.

UPDATED TIMELINE...PROMISES MADE, BUT NEVER DELIVERED

February 19, 2009...

Within weeks of taking office, the Obama Administration increases the amount of Fannie and Freddie's bailout from \$200 billion to \$400 billion.

March 22, 2009...

Appearing on CNN's "State of the Union with John King" Christina Romer states "I think that [Fannie and Freddie] is certainly going to be an issue going forward. I think it should be part of the overall financial regulatory reform, to figure out what is the best way."

June 9, 2009...

While testifying before the Senate, Treasury Secretary Tim Geithner states "The future of the GSEs, including Fannie and Freddie, will be an important -- is an important challenge for us. But we are not going to -- I'm violating my rule of getting ahead of the president. We are not going to recommend in our initial proposals for reform precisely what we think the future of this should be. We're going to begin a process of consulting with the Congress and a broad section of housing experts on what we think the range of options are....But we're going to defer recommendations on those things for a bit longer."

June 17, 2009...

The Administration releases its white paper on financial regulatory reform which includes a paragraph about the future of the GSEs. The white paper states, "Treasury and the Department of Housing and Urban Development, in consultation with other government agencies, will engage in a wide-ranging initiative to develop recommendations on the future of Fannie Mae and Freddie Mac, and the Federal Home Loan Bank system. We need to maintain the continued stability and strength of the GSEs during these difficult financial times. We will report to the Congress and the American public at the time of the President's 2011 Budget release."

June 18, 2009...

Treasury Secretary Geithner tells the Senate Banking Committee: "I think this is a very important issue, and you're making a -- you're asking a very good question. It is a very different challenge. Our challenge with Fannie and Freddie now -- and this is true about the government's role in the housing market more generally -- is more a challenge for exit, what the future should be. We have to fundamentally rethink what the appropriate role of the government is in the future. We did not get that right. It was not a tenable balance we struck in that situation."

July 10, 2009...

Secretary Geithner is asked during a joint hearing why the Administration's reform proposal does not address Fannie and Freddie. Geithner response: "It is absolutely true that those institutions, over time, took an enormous risk because of the implicit commitment of the government to back them....Now, we are going to have to come to the Congress and propose how to deal with the future of those entities, but now is not the time to do that. And we are going to try and do that carefully and well. But we agree with you that that's something we're going to have to confront together and we will come to you, and it's our responsibility to do that, with our best judgment about what to do. But we'll look at a range of options and we'll work through that together."

August 6, 2009...

During a news briefing, White House Press Secretary Robert Gibbs is asked about a timetable for GSE reform. Gibbs said, "As part of financial regulatory reform, GSE reform is going to be part of that. ...I don't have a specific timetable....Again, I know it's certainly part of broader financial regulatory reform. And, obviously, both play an important role in the president's home loan modification program and overall housing policy."

October 29, 2009...

Treasury Geithner is asked about a timetable for GSE reform while testifying before the Financial Services Committee. Geithner response is: "What we have said is that we believe early in the year we're going to outline at least our initial ideas on options for how we do that."

November 6, 2009...

Treasury blocks Fannie Mae from selling \$2.6 billion in Low-Income Housing Tax Credits after determining it would be too costly to taxpayers.

December 11, 2009...

The House approves the Democrats' legislation for financial regulation that fails to address Fannie and Freddie.

December 24, 2009...

The Obama Administration again increases the bailout of Fannie and Freddie; this time to an unlimited amount. As part of this extended bailout, the Administration also relaxes the limitations on the GSEs' portfolios. Administration officials tell reporters that a plan for Fannie and Freddie will be included in the President's budget for 2011.

December 24, 2009...

Treasury gives top executives at Fannie and Freddie multi-million compensation packages... payable in cash.

January 21, 2010...

Austan Goolsbee joins the press briefing and has the following exchange with a reporter: QUESTION: What about Fannie and Freddie? I mean, correct me if I'm wrong, but I haven't heard the president mention them in any of these discussions of his financial proposals. I mean, why is that? Were they -- do you guys not think they were part of the problem, or...

GOOLSBEE: No, I don't think it's accurate to say they haven't been mentioned. In the regulatory white paper, it says that the president -- they were going to convene to look at the broader mortgage market as a whole, which includes Fannie, Freddie, FHA, and thinking about a broad expanse of things, and what we do in the mortgage market.

Obviously, it wasn't mentioned today because it's not -- it's not a commercial bank and it's not in this circumstance.

QUESTION: But you haven't come up with any proposal -- since that white paper, though, nothing's...

GOOLSBEE: I'm -- I don't have any comment on the specifics on that.

February 1, 2010...

The President's FY2011 budget - which was supposed to include a detailed plan for Fannie and Freddie - contains two sentences on Fannie and Freddie stating a plan is forthcoming.

February 24, 2010...

Testifying before the House Budget Committee, Treasury Secretary Tim Geithner states that no plan for Fannie and Freddie will be made available until next year at the earliest. Geithner said, "Well, we're going to put out principles and broad objectives this year. We're going to put out some broad questions and invite public comment on those questions. And then we're going to use that process of outreach -- and I'm sure there'll be extensive congressional testimony on this -- to try to shape a set of legislative proposals we can present to the Congress next year. And, Congressman, let me just say this: There is nobody who's going to care more about making sure we fix what was broken, not just in Fannie and Freddie, but the broad government's role in the housing market, than me. And we want to make sure that we get it right, that we do it carefully. We can't do everything right away."

February 24, 2010...

Geithner also informs the Budget Committee the Administration does not support bringing Fannie and Freddie on budget: "That's going to be a difficult set of reforms, but we do not believe it's necessary to consolidate the full obligations of those entities onto the balance sheet of the federal government at this stage."

February 24, 2010...

Also on this day, Federal Reserve Chairman Ben Bernanke tells the Financial Services Committee that a plan for GSE reform should come as soon as possible: "The sooner you get some clarity about where the ultimate objective is, the better."

March 3, 2010...

Fannie Mae requests an additional \$15.3 billion in taxpayer support.

March 15, 2010...

Senate Democrats unveil a long awaited financial regulatory reform package...which also fails to include any provisions on Fannie and Freddie.

March 23, 2010...

Secretary Geithner testifies before the Financial Services Committee on the future of housing finance but failed to provide a detailed plan for Fannie and Freddie, stating "We are going to make sure that these institutions have the resources they need to meet their commitments past and future."

"Realistically, it's going to take several months to do a careful exploration of the problems, solutions, alternative models, and to try to shape legislation that could command consensus.

"There's a huge compelling need to make sure we can design the successor system, and it's very hard...for anybody to argue that we can live with the system as it is now indefinitely in the future."

March 23, 2010...

The Washington Post reports that "Treasury Secretary Timothy F. Geithner is scheduled to tell the House Financial Services Committee on Tuesday that the administration will unveil a list of questions on April 15 in an effort to frame the

debate. The answers will help guide the administration's reform of federal housing policy and address not only Fannie Mae of the District and Freddie Mac of McLean but also the Federal Housing Administration and related agencies."

April 14, 2010....

Treasury and HUD release what can only be considered their plan for housing finance-seven questions to poll Americans about what the future of housing finance should be. Unfortunately, this only proves that the Administration has no real plan for dealing with the GSEs.

In response to a question from Ranking Member Spencer Bachus, HUD Secretary Shaun Donovan confirmed that the Administration will not have a plan until next year.

April 15, 2010...

While taxpayers around the country line up to hand even more funding to these broken, out of control housing programs, there is nothing but continued silence from the Administration and House and Senate Democrats on how to reform Fannie and Freddie.

May 5, 2010...

Freddie Mac reports \$6.7 billion in losses for the first quarter of 2010, and requests an additional \$10.6 billion in taxpayer dollars.

On the same day that Freddie requested \$10 billion dollars, Politico reported that Chairman Barney Frank sent a memo to the White House outlining a strategic plan to cover their political hide and address their inaction towards Fannie and Freddie.

May 10, 2010...

Fannie Mae reports \$13 billion in losses for the first quarter, and request \$8.4 billion in taxpayer dollars.

Appearing on CNBC, Senator Mark Warner acknowledged that "it's a fair claim to make that we haven't done enough to fully address Fannie and Freddie, it is the big elephant in the room that hasn't been addressed."

May 11, 2010...

Rep. Paul Kanjorski defends Fannie and Freddie as a guest host on CNBC, and says GSE reform "[is] too complicated" to look at until next year. VIDEO

Senate Democrats kill prospects for housing finance reform by voting down the McCain amendment, which largely mirrors House Republican reform efforts. To continue their efforts to block reform, they pass an amendment by Senator Dodd that offers what can only be described as a legislative insult to the taxpayers - a useless amendment to conduct a government study. Is this their idea of reform?

June 16, 2010...

The Federal Housing Finance Agency directed Fannie Mae and Freddie Mac, now operating under a federal conservatorship, to delist their common and preferred stock from the New York Stock Exchange and any other national securities exchange. Ranking Member Bachus said - "This action clearly confirms what we've known since September 2008 - Fannie and Freddie are not real companies anymore. They are taxpayer-funded, government-run institutions. If the Democrats continue to ignore the issue - like they have for years - Fannie Mae and Freddie Mac will not only indefinitely remain the central players in the U.S. mortgage market, but they will also linger as the nation's largest taxpayer liability."

June 23, 2010...

During the conference debate, House Republicans attempted to offer numerous reform proposals in hopes that Democrats would finally relent and include real reform to address one of the root causes of the financial crisis. Instead, Chairman Barney Frank outright banned consideration of Republican amendments to reform Fannie Mae and Freddie

Mac in order to use the conference negotiations to protect the GSEs taxpayer-funded bailouts.

June 24, 2010...

Democrats first accepted - and then later struck from the bill - a Republican amendment that would have placed the GSEs under the same resolution authority regime as any other large, complex financial institution. As soon as Democrats discovered that the effect of the amendment would be to make big banks, not the taxpayers, bear the costs of winding down the GSEs, they took the side of the banks and put taxpayers back on the hook.

July 1, 2010...

After Chairman Barney Frank refused to let Republicans even offer GSE amendments to the Democrats' financial regulation bill, Rep. Paul Kanjorski - the Chairman of the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises - appeared on CNBC and falsely claimed that government controlled companies Fannie Mae and Freddie Mac have already been addressed. Actually, the Democrats' financial regulation bill contains NO reform of Fannie and Freddie. In fact, the Democrats' bill specifically exempts the GSEs from the resolution authority created in the legislation to ensure, as Chairman Frank stated, that the costs are "borne by the taxpayers," not the big banks.

July 21, 2010...

President Obama signs the Dodd Frank Act into law, again with no mention of how to reform the GSEs and why they weren't included in the Democrats' massive financial reform bill.

July 24, 2010...

A quarterly report to Congress by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) found that taxpayers stand behind \$6 trillion of Fannie Mae and Freddie Mac's debt obligations. The Treasury's commitments to purchase GSE-related assets and support the IMF bailout of Greece accounted for an overwhelming increase in taxpayer exposure--further shifting all the risk from the private sector onto the taxpayer. Ranking Member Bachus said - "In light of this SIGTARP report, it is disturbing that the President will sign into law the Democrats' permanent bailout bill that does nothing to address Fannie and Freddie or make Wall Street responsible for its risk-taking."

July 27, 2010...

The Obama Administration announced on the White House blog that it will convene a "conference" on the future of housing finance during the August congressional recess, again dragging their feet on actually coming up with a plan and falling far short of the repeated demands to address the GSEs as part of financial regulatory reform.

August 2010...

Fannie Mae and Freddie Mac requested additional bailout money from taxpayers, bringing their total bailout amount to approximately \$150 billion.

August 6, 2010...

Ranking Member Bachus calls on Chairman Barney Frank to convene a hearing to examine whether Fannie Mae executives improperly implemented the Home Affordable Modification Program (HAMP) in order to benefit from incentive payments offered by the Treasury Department for mortgage modifications. No response received.

August 16, 2010...

In a letter to Secretary Geithner, Bachus criticized the Administration for falling far short in its promise to entertain a broad range of policy perspectives at the scheduled GSE conference, instead inviting mostly those who support continued government involvement in housing finance.

August 17, 2010...

The Obama Administration pulls together their ideological allies for an intellectual exercise on how to keep the government involved in housing finance. Meanwhile, a "furious" Chairman Frank called NY Times' Andrew Ross Sorkin, claiming "there is no urgency" to reform Fannie and Freddie and stating "[w]e've already abolished Fannie and Freddie...[y]es, we waited too long to fix it. But the money is not being lost by anything they are doing now."

August 19, 2010...

Bachus and Committee Republicans send a letter to Chairman Frank requesting a legislative hearing on Representative Hensarling's GSE bill, which was introduced in March of this year with no committee action scheduled. No response received.

September 15, 2010...

Despite having two years to act, Chairman Frank claims that talks of ending this congressional session a week earlier than scheduled will prevent any opportunity for legislative action to address Fannie and Freddie, further delaying needed reform.

September 20, 2010...

Bachus sends a letter to FHFA Acting Director Ed DeMarco questioning Fannie Mae's Affordable Advantage and HomePath programs that seem to promote the same lax underwriting standards and imprudent loan terms that helped bring the GSEs to the brink of collapse in 2008.

September 29, 2010

Financial Services Committee Chairman Barney Frank once again blamed the "truncated" Congressional schedule for the Democrats' failure to address reform of Fannie Mae and Freddie Mac prior to the election. View Chairman Frank's "explanation" for their inaction.

Note to Congressional and White House Democrats -Republicans Put Forth a Proposal to End the Bailout of the GSEs - Just Read the Plan!

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